



Increasing Broadband Competitiveness

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Broadband Is Not A One-Wire World

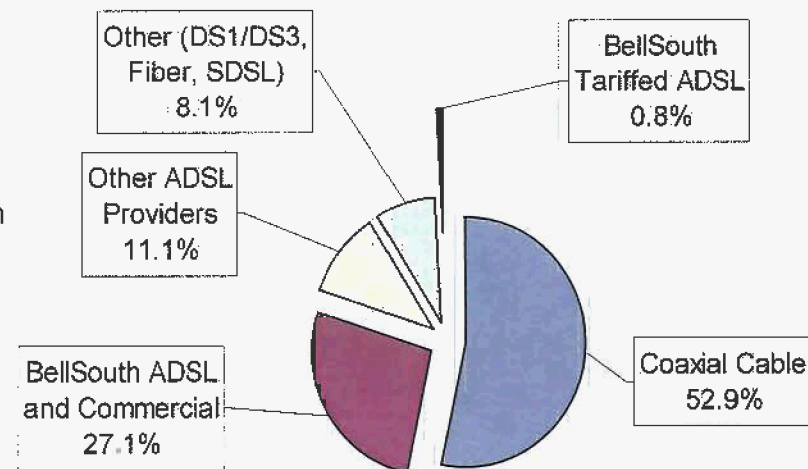
- CI premised on archaic one-wire view of communications
- FCC has noted that “residential high-speed access to the Internet is evolving over multiple electronic platforms, including wireline, cable, terrestrial wireless and satellite.” *Cable Modem Order* at 4802.
- Business access is competitive and cable is an increasingly significant additional competitor
 - + From 1Q04 to 1Q05, about 30% of BellSouth’s losses of small business broadband access customers were to cable competitors
- “We think it improbable that the Communications Act unambiguously freezes in time the *Computer Inquiry* treatment of facilities-based information-service providers.” *Brand X, slip op.* at 24.

CI Benefits Are Practically Non-Existent

- **From the June 2005 FCC
Broadband Competition Report
(December 2004 Data)**

- + 7,504,952 Broadband Customers in BellSouth's nine-state region
- + 3.97M (52.9%) were Cable Modem Customers
- + 833k (11.1%) ADSL customers other than BellSouth (ICO's and DLECs)
- + 605k (8.1%) other broadband services (DS1/DS3, SDSL, etc...)
- + 2.1M (27.1%) were BellSouth retail or privately negotiated wholesale service customers
- + Only 58k (0.8%) were served by ISPs using the CI required tariffed xDSL service in BellSouth's nine state territory
 - The independent ISPs that use the tariffed xDSL service are growing slower than the broadband market. The current 0.8% market share is significantly lower than their 4.2% market share only 24 months earlier.

Broadband Share



CI Compliance Costs Are High And Reduce Consumer Welfare Across The Entire Broadband Market

- CI rules handicap innovation and speed to market
- Directly attributable costs that disappear with CI relief include:
 - + Redundant enhanced and regulated customer support representatives
 - + Redundant enhanced and regulated Network Operations Centers
 - + Redundant ordering, ticketing, troubleshooting and dispatch systems

	June-03	June-04	Dec-04
Annual CI Operating Costs	\$28.5M	\$24.5M	\$24.5M
Wholesale DSL lines purchased by unaffiliated ISPs	193,747	64,961	58,225
Cost per wholesale DSL line purchased by unaffiliated ISPs*	\$147.10	\$377.15	\$420.08
Monthly cost per wholesale DSL line purchased by unaffiliated ISPs*	\$12.26	\$31.43	\$35.07
Average Monthly Revenue per line	\$33	\$33	\$33
Regulatory Cost as a percent of Monthly Revenue*	37.10%	95.20%	106.3%

*** Allocates these costs from CI compliance to tariffed DSL lines purchased by unaffiliated ISPs**

Increasing Broadband Competitiveness:

- **Remove CEI requirements**
 - + Including: 1) interface functionality; 2) unbundling of basic services; 3) resale; 4) technical characteristics; 5) installation, maintenance, and repair; 6) end user access; 7) CEI availability as of the date the BOC offers its own enhanced service to the public; 8) minimization of transport costs; and 9) availability of the offering to all interested ISPs.
- **Remove ONA requirements**
- **Eliminate disparate USF contribution burdens**
 - + Significant cost insulation for cable harms all broadband customers
- **Ensure no new regulatory accounting barriers are created**



Transition

- Transition period should not prohibit technological progress in broadband network
- At end of transition period:
 - + Carriers should have option of providing broadband access on a private carriage basis or a common carrier basis.
 - + Carriers should be allowed to withdraw existing broadband access tariffs on one day's notice